The rules add up, the outcome does not

Why compliance is judged on effort, and what the European anti-money-laundering package changes about that

2026

At a glance

The FATF assesses countries on two axes: do they have the rules, and do those rules work. On the first axis the world climbed from 36% to 76% compliance between 2012 and 2024. On the axis that counts, 19% of 120 assessed countries reached a high or substantial level for confiscating criminal assets, and Europol has estimated for years that roughly 1% of criminal proceeds in the Union is eventually taken. A sector that spends tens of billions a year on compliance is therefore judged on the presence of the system and not on how it works. The European anti-money-laundering package changes that ratio on one point and sharpens it on another: a single directly applicable rulebook from 10 July 2027 and a European supervisor in Frankfurt, but at the same time article 75, which allows joint data sharing when the risk is already known.

19%

Of 120 assessed countries reach a high or substantial effectiveness level for confiscation (FATF, Report on the State of Effectiveness and Compliance with the FATF Standards, 2022)

Foreword

Regtech is a sector that sells to a customer who cannot know whether the product works. That is not an accusation but a structural property: a bank that files ten thousand reports a year does not know which of them led to a conviction, because that information does not come back. What the bank does know is whether the supervisor was satisfied with the process. What grows out of that is a market in which the evidence of effort is the product.

This report looks at what is moving in that relationship. It draws on the FATF's own effectiveness reporting, on Europol's estimates of confiscation, on regulation (EU) 2024/1620, regulation (EU) 2024/1624 and directive (EU) 2024/1640, on the multi-annual plan of the European anti-money-laundering authority, and on the dismantling of the Dutch initiative for joint transaction monitoring. Where a widely quoted figure has no traceable source, that is stated as well.

The content applies on 17 July 2026. The most important dates in this report lie in the future: 10 July 2027 and 1 January 2028.

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01 Two figures that do not fit together

The Financial Action Task Force has assessed two things at once since 2013. Technical compliance: does a country have the laws, the rules and the instruments that the forty recommendations ask for. And effectiveness: do those measures deliver a result, measured along eleven immediate outcomes that together describe what a working system is supposed to achieve. Two axes, the same countries, the same assessors.

On the first axis it is going well. According to the FATF's annual report 2023-2024, technical compliance rose from 36% to 76% between 2012 and 2024, across more than two hundred jurisdictions. That is a real change. Countries that had no anti-money-laundering legislation twenty years ago now have a complete system on paper, and that is the result of thirty years of peer review and sustained pressure.

> From 36% to 76% on the rules. Steadily around 1 to 2% on the outcome.
> The correlation is approximately absent.

On the second axis it is not going well, and the FATF publishes that itself. In its report on the state of effectiveness and compliance, from 2022 and based on 120 assessed jurisdictions, the organisation concluded that almost every country needs substantial improvement in the effective implementation of its standards. For taking criminal assets, the same source found that 19% of those 120 countries reached a high or substantial effectiveness level. RUSI pointed out in a policy note that the FATF also found for itself that capacity remains a bottleneck.

Europol arrives at the same place from another direction. In From Suspicion to Action, the 2017 report of its Financial Intelligence Group, Europol estimated that barely 1% of criminal proceeds in the Union is eventually confiscated. In The Other Side of the Coin, from 2023, Europol states that what law enforcement manages to take from criminal networks still stays below 2% of the annual proceeds of organised crime. The European Commission's page on confiscation and asset recovery cites that same roughly 2% and calls the low percentage a persistent challenge, despite substantial investment in resources and legislation.

Set those numbers beside each other and you get an uncomfortable figure. From 36% to 76% on the rules. Steadily around 1 to 2% on the outcome. The correlation between the two is not negative; it is approximately absent. That is the finding this whole report rests on, and it does not come from critics but from the institutions that build and assess the system themselves.

Source: FATF, Report on the State of Effectiveness and Compliance with the FATF Standards, 2022, based on 120 assessed jurisdictions · FATF, Annual Report 2023-2024 · Europol, From Suspicion to Action, Financial Intelligence Group, 2017 · Europol, The Other Side of the Coin: Analysis of Financial and Economic Crime, 2023 · European Commission, Migration and Home Affairs, Confiscation and asset recovery, consulted 18 November 2025 · RUSI, Boosting the FATF's Global Asset Recovery Responses, policy note

02 Why effort is measured and outcome is not

It is tempting to read this as unwillingness and it is not. Effort is measurable and outcome is barely so, and a supervisory system measures what it can measure. A supervisor can count how many customer due diligence checks were carried out, how many alerts were followed up, how many reports were filed and within what deadline. Those are facts that sit in a system.

The outcome sits nowhere. A bank that files a report as a rule hears nothing further. Whether the report led to an investigation, whether that investigation led to a prosecution, and whether that prosecution led to a confiscation, is information that stays with the investigating service and, for understandable reasons, does not flow back. The reporter gets no feedback and therefore cannot adjust its own model against the only outcome that counts.

> The noise costs money, the missed case costs a fine. Low thresholds are not incompetence but a correct reading of the incentives.

Europol described the matching fragmentation on the receiving side in From Suspicion to Action. In a Europol survey, fewer than half of the anti-money-laundering units in the member states said they had access to the data from cash declarations, while the majority thought that access would help their investigations. Half reported no access, no direct access or limited access to suspicious transaction reports. Three sources of information that would together give a picture, and few countries in which one authority can see all three.

The result is a product market with an odd definition of quality. What a regtech supplier sells is not a reduction in money-laundering crime, because it cannot demonstrate that and the customer cannot measure it. What it sells is defensibility: an evidence trail that convinces an inspector the institution acted carefully. That is a real value and it is a different value from the one the legislator had in mind.

And it explains a choice that looks irrational from the outside. If you are judged on missed signals and not on false alarms, the rational setting for your thresholds is: low. Every threshold you raise to reduce noise increases the risk that you miss something you are liable for. The noise costs money; the missed case costs a fine and a headline. A sector thus systematically builds systems that mostly produce alerts about nothing, and it does so not out of incompetence but out of a correct reading of the incentives.

Source: Europol, From Suspicion to Action, Financial Intelligence Group, 2017 · FATF, Methodology 2022, eleven immediate outcomes

03 The package that replaces the rulebook

In 2024 the Union rebuilt the entire system, and the most important change is not in the content of the rules but in their legal form. Five successive directives are replaced by one directly applicable regulation. A directive has to be transposed and is therefore interpreted twenty-seven times; a regulation applies automatically and identically in every member state. For a sector that drew most of its revenue from national differences, that is not a detail.

The package consists of three instruments that are often confused with each other. Regulation (EU) 2024/1620 establishes the Anti-Money Laundering Authority and sets out its powers and structure; it has applied since 1 July 2025. Regulation (EU) 2024/1624, the rulebook proper, entered into force on 9 July 2024 and applies from 10 July 2027. Directive (EU) 2024/1640 governs the institutional framework, the registers of beneficial owners, the financial intelligence units and national supervision, and has to be transposed by 10 July 2027.

The authority itself sits in Frankfurt, in the Messeturm, and formally started on 1 July 2025 under chair Bruna Szego. On 1 January 2026 the European Banking Authority and the new authority completed the transfer of all anti-money-laundering mandates and functions. On 4 February 2026 the authority published its first multi-annual plan for 2026 to 2028, with among its priorities a central European database holding data on obliged entities, risk assessments, screening results, supervisory measures and sanctions, which should be fully operational in 2027.

Direct supervision begins on 1 January 2028 and it is limited: forty selected institutions with a heightened and cross-border risk profile. All other obliged entities stay under national supervision. The expectation the sector voices itself is that the standard those forty are held to becomes the de facto standard for the rest, by way of regulatory technical standards, convergence guidelines and joint supervisory teams.

The selection of those forty is itself a data exercise, and that is what the sector should be losing sleep over. The authority has started a data collection to calibrate the risk models with which it will select in 2027. The same harmonised data points it asks for are the data points an institution needs for its own business-wide risk assessment. The question is no longer whether your policy is sound but whether your data is machine-readable, complete and consistent.

Instrument	Form	Date
Regulation (EU) 2024/1620	Institutional regulation	Applies since 1 July 2025
Transfer of mandates from EBA to AMLA	Administrative	Completed 1 January 2026
Regulation (EU) 2024/1624 (AMLR)	Directly applicable rulebook	Applies 10 July 2027
Directive (EU) 2024/1640 (AMLD6)	Directive to be transposed	Transposition by 10 July 2027
Direct supervision of 40 institutions	Supervision	From 1 January 2028

The European anti-money-laundering package: what applies when

Source: Regulation (EU) 2024/1620 establishing the Anti-Money Laundering Authority (AMLA), applicable since 1 July 2025 · Regulation (EU) 2024/1624 (AMLR), in force 9 July 2024, applicable from 10 July 2027, EUR-Lex · Directive (EU) 2024/1640 (AMLD6), transposition by 10 July 2027 · AMLA, Single Programming Document 2026-2028, published 4 February 2026 · AMLA, communication on the transfer of the anti-money-laundering mandates from the EBA, 1 January 2026 · AMLA, announcement of the data collection for calibrating the risk models for the 2027 selection

04 The Dutch experiment that was broken off

While Brussels was rewriting the rulebook, Europe's most ambitious answer to the fragmentation problem was running in the Netherlands. Five banks, ABN Amro, ING, Rabobank, Triodos Bank and de Volksbank, set up Transactie Monitoring Nederland in 2020. The idea was straightforward: one bank only sees its own side of a chain, so you put the transaction data together and look for networks that are invisible from inside a single institution.

The design was not naive. Only transactions of business customers with a turnover of up to 250 million euro a year were exchanged. The data went to the joint facility not under a name but under a code, so that the customer's identity stayed with the bank. If the facility found something unusual, the signal went back to the bank concerned, which assessed it itself.

Criticism was there from the start. The Dutch data protection authority called the method a central banking dragnet and judged that it was not in the spirit of privacy law. The Human Rights in Finance foundation argued that the initiative operated without a sound legal basis. The Plan van aanpak witwassen bill, which was meant to give joint monitoring a statutory basis, stalled after the government fell and was declared controversial.

What eventually ended the initiative, though, did not come from The Hague. During the negotiations on the European package the Netherlands turned out to stand alone in wanting to keep this form of joint monitoring; the European Parliament was against. Finance minister Van Weyenberg wrote to the Dutch parliament that the initiative did not fit the new rules. In July 2024 the organisation announced that it would wind down its existing activities and capabilities, referring to the regulation that takes effect in July 2027.

It is the rare case of a sector that did exactly what the criticism of the system prescribed, jointly instead of fragmented, and that had to stop because the legislator had meanwhile made a different judgement. Whether that was the right judgement is a real discussion. That the outcome does not solve the problem the criticism was aimed at is settled: every bank looks only at its own side of the chain again.

Source: Transactie Monitoring Nederland, announcement of the wind-down of activities, July 2024 · Dutch Ministry of Finance, letter from minister Van Weyenberg to parliament on TMNL and the European anti-money-laundering rules, February 2024 · Autoriteit Persoonsgegevens, position on joint transaction monitoring · Security.NL, report on the ending of joint transaction monitoring, July 2024 · Accountancy Vanmorgen, Banken stoppen gezamenlijke transactiemonitoring, 1 July 2024

05 Article 75, and the knot inside it

The provision that governs all of this is article 75 of regulation (EU) 2024/1624: exchange of information in the framework of information sharing partnerships. The article does not prohibit joint data sharing. It ties it to conditions, and those conditions determine what kind of system you can build with it.

Sharing is allowed only in respect of specified customers: customers associated with a higher risk as established in the supranational or the national risk assessment, customers falling under one of the situations in articles 29, 30, 31 and 36 to 46, or customers about whom the institutions have to gather additional information to determine whether they are associated with a higher risk. On top of that: prior notification to the supervisor, verification before the partnership starts, a data protection impact assessment, pseudonymisation, and prior consent from the financial intelligence unit before information about a suspicious transaction circulates within the partnership.

> A suspicious structure is a property of the connections. Whoever may only share what he already suspects shares what he already knows.

Reading that as pure circular reasoning is reading too fast, and this is the honest nuance in this report. That third category exists precisely to solve the problem: you may share in order to determine whether the risk is higher. The knot is not in the logic but in the scale. The regime is per customer, with a ground per customer and a justification per customer. It is not a regime in which you put all transactions of all business customers of five banks together and let the pattern surface.

That is exactly the difference between searching and finding. A network analysis that links accounts at several banks only works when you see the whole graph, because the suspicious structure is a property of the connections, not of the nodes. If you may only share the nodes you already find suspicious, you share what you already know. That can be useful and it is something other than what the five banks were attempting.

One detail in article 75 deserves separate attention, because it is the first of its kind in this area of law. Information generated by AI or by algorithmic processing has to be subject to adequate human oversight. A regtech supplier that sells a model running inside a partnership therefore also sells an obligation: someone has to be able to assess the outcome, and that rules out a model whose outcome cannot be explained.

Source: Regulation (EU) 2024/1624, article 75, exchange of information in the framework of information sharing partnerships · Regulation (EU) 2024/1624, article 69, tiered regime for reporting suspicious transactions · AMLA, consultation document on the draft RTS under articles 16(4) and 17(3) AMLR, Frankfurt, 16 April 2026 · Curtis, comparative analysis of article 75 AMLR and section 314(b) of the US rules, July 2026

06 The bill

There are figures for the cost of all this, and they deserve a caveat. LexisNexis Risk Solutions publishes an annual estimate of the cost of financial crime compliance. For 2024 it came to 85 billion dollars for Europe, the Middle East and Africa combined, and to 61 billion dollars for the United States and Canada. An earlier edition put the global cost for financial institutions at more than 206 billion dollars. These are a supplier’s estimates based on customer surveys, and they are an order of magnitude, not an account.

What is settled is that the cost consists largely of heads and not of software. As transaction volume rises, the number of signals rises, and every signal asks for a human assessment. That is why this cost line moves with the economy and not with crime.

In the United States the question has been asked formally for the first time. FinCEN started a survey in September 2025 into the cost of complying with the anti-money-laundering rules: the supervisor wants to know what its own regime costs the sector. That is a notable moment, because it assumes the cost is a variable and not a given.

For the sector itself the cost structure changes shape. Under a directly applicable rulebook, part of the work that consisted of translating twenty-seven national regimes into one operational model disappears. That work was revenue. What comes back in its place is work on data quality: the data points the authority asks for, in the format it imposes, with a trail that shows how a risk decision came about.

And that is where the shift that touches this sector most sits. Defensibility stays the product, but the judge of that defensibility changes. It was a national inspector with an interpretation of his own. It becomes a common set of regulatory technical standards, a central database and a selection model. An explanation that worked with one supervisor because it had been done that way for years does not work against a model that lays your data beside that of 27 member states.

Source: LexisNexis Risk Solutions, True Cost of Financial Crime Compliance, EMEA edition 2024 (85 billion dollars) and United States and Canada edition 2024 (61 billion dollars) · LexisNexis Risk Solutions, Global Financial Crime Compliance Costs for Financial Institutions Totals More Than USD 206 Billion, 2023 · FinCEN, Survey of the Costs of AML/CFT Compliance, started September 2025 · AMLA, Single Programming Document 2026-2028, 4 February 2026

07 What it changes

For a regtech company the place where the value sits moves. It sat in bridging national differences and in translating interpretation into configuration. From 10 July 2027 the rulebook is the same for the whole Union, and difference in interpretation becomes scarce. What is left is explainability: being able to demonstrate why this signal came up, on what data, and why a human assessed it the way they did.

For an institution the preparation changes character. The supervisor’s question was: show your policy. The question becomes: deliver these data points in this format. That is not a policy question but a technical one, and it touches systems that are often twenty years old and were never designed to deliver a harmonised set of fields. Whoever starts in 2027 starts after the selection exercise with which the authority picks its forty.

For whoever builds models, the most important constraint sits in two sentences that stand in different places. Article 75 asks for adequate human oversight of what an algorithm generates. And the incentive to set thresholds low remains as long as the judging is done on missed signals. The combination puts a ceiling on how aggressively a model may cut noise away, however good it is.

For policy there is a question this report cannot answer. The package harmonises the system that its own assessor says does not work on the outcome. Harmonisation makes a system more consistent and it is not a mechanism that raises confiscation. The central database can do that, because for the first time there will be a place where risk assessments, supervisory measures and sanctions across 27 member states come together. Whether anyone ever holds that database up against the outcome figures is a choice and not a technical given.

And for everyone in this sector the question the FATF already asked itself applies. The fifth assessment round has been running since 2024 under the 2022 methodology and puts the emphasis firmly on effectiveness. The first two reports of that round appeared in December 2025; at the plenary of 11 to 13 February 2026 in Mexico City the assessments of Austria, Italy and Singapore were adopted. Countries that got through the fourth round on their statute book alone are getting a different question this time.

Source: Regulation (EU) 2024/1624, article 75 · FATF, Methodology 2022 and the start of the fifth round in 2024 · FATF, Outcomes FATF Plenary, 11-13 February 2026, Mexico City · AMLA, Single Programming Document 2026-2028, 4 February 2026

08 What does not add up yet

Start with the figure that is deliberately missing from this report. Everyone in this sector quotes that 90 to 95% of the signals out of transaction monitoring are false alarms. The number turns up in supplier material, in trade press and in presentations, and the source reference leads each time to another secondary text, often back to a non-public report by a consultancy. There is no public, repeatable measurement over a defined population. For a sector that owes its existence to measurement, it is notable that its best-known figure about itself cannot be traced.

The second caveat concerns Europol's estimates. The 1% and the 2% are themselves estimates: a numerator that comes from reported confiscations and a denominator that is an estimate of criminal proceeds. Ronald Pol showed in Policy Design and Practice in 2020 how sensitive that ratio is to the definitions chosen: depending on numerator and denominator you arrive at 1.1%, at 0.15% or at 0.07%. His point is that the imprecision does not touch the argument, because the gap is so large that no reasonable recalculation closes it. That is a strong argument and it remains an argument about an estimate.

The third is that the FATF's effectiveness figures are about countries and not about institutions. A country can score low on confiscation while its banks report excellently, because the bottleneck sits with the public prosecutor or with the capacity of an intelligence unit. Whoever uses the 19% as evidence that the compliance industry is failing makes a leap the data does not carry. What the data does carry is that the system as a whole is not taking the money.

The fourth is that the package is still being written on important points. Twenty-three level 2 and level 3 measures are open, most of which were expected by 10 July 2026; the consultations were still running in the first half of 2026. Whoever claims today to know how the selection methodology will work out in detail, or which data points will be asked for exactly, is running ahead of texts that do not yet exist.

And the fifth is the question that can turn this whole line of reasoning around. Perhaps confiscation is the wrong yardstick. The system also produces deterrence, the exclusion of certain money flows from the legal circuit, and intelligence that leads to arrests without any money being taken. None of those three sits in the 1%. Whoever wants to defend the system has a good argument there. The discomfort is that nobody measures those three, and that a defence resting on unmeasurable effects has exactly the same shape as the problem this report started with.

Source: Ronald F. Pol, Anti-money laundering: The world's least effective policy experiment? Together, we can fix it, Policy Design and Practice 3(1), 2020 · FATF, Report on the State of Effectiveness and Compliance with the FATF Standards, 2022 · Europol, From Suspicion to Action, 2017 · financialregulations.eu, overview of the open level 2 and level 3 measures under the EU anti-money-laundering package, 23 March 2026

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SOURCES

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